

APAs in 2025: Surprising Success, With Challenges for the Future

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In this article, the authors examine the IRS's 2025 annual report on advance pricing agreements and analyze how, despite operational constraints from the government shutdown and the effects of tariffs, APAs remain a critical tool for managing transfer pricing uncertainty.

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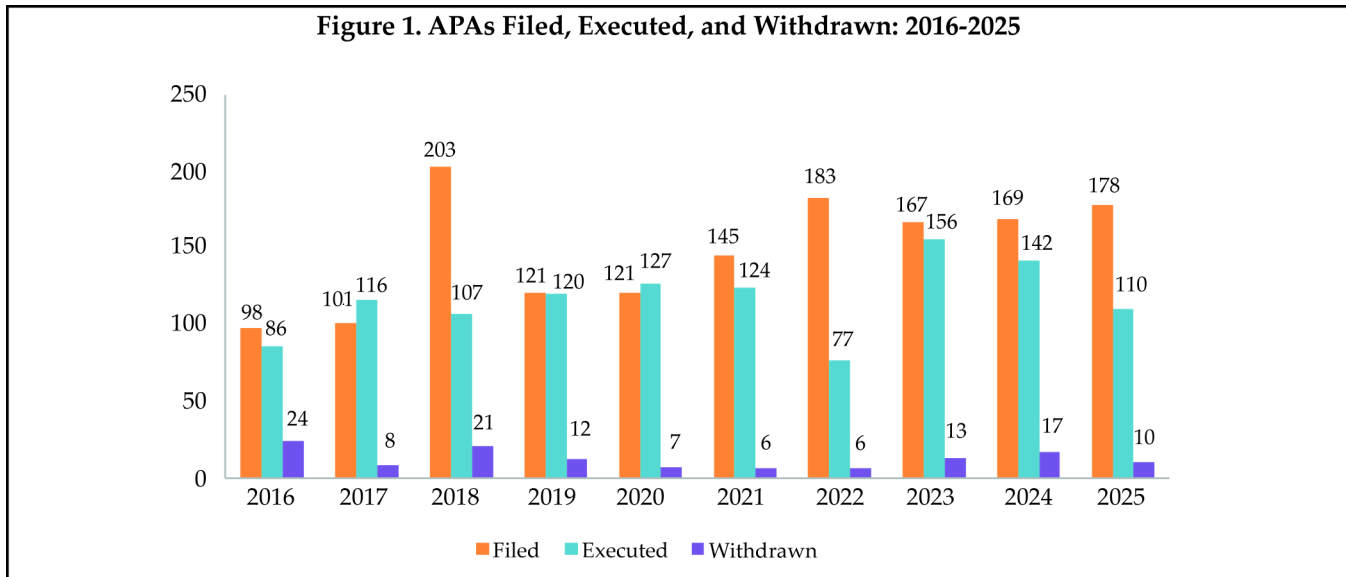
In a certain sense, 2025 was an *annus horribilis* for the IRS's advance pricing agreement program. Cutbacks in IRS resources directly affected the advance pricing and mutual agreement organization, albeit to a lesser extent than many of the agency's other groups. Over the course of the year, the APMA program lost 14 percent of its workforce. Employees' ability to travel for critical meetings was often difficult and uncertain. Tariffs complicated, and in some cases prevented, the resolution of APAs in the docket. And to top it all off, the government went through a record-setting 43-day shutdown, during most of which all

APMA personnel were furloughed, except for a skeleton crew.

It is encouraging, then, to see that the statistics in APMA's recent report on the APA program for 2025 show resilience rather than collapse.¹ While the statistics unsurprisingly fall short of some of the high points from 2024, a longer-term view shows that, relative to historical levels, APMA still employs a sizeable workforce and made significant progress in resolving APAs during

¹ Announcement 2026-8, 2026-16 IRB 1.

Figure 1. APAs Filed, Executed, and Withdrawn: 2016-2025



2025. Indeed, when one takes into account the significant headwinds that buffeted APMA in 2025, the statistics appear extremely impressive. One key challenge for the future will be effectively managing the growing inventory of pending cases, as taxpayer interest in the program remains strong.

I. 2025 in Context

The highlights of the 2025 report can be summarized quickly: 178 APAs were filed (with a further 31 “dollar filings,” that is, user fee payments not yet associated with a complete APA request), 110 APAs were executed, and APAs took on average 44.1 months to complete. Indian cases dominated both filings (26 percent of bilateral APAs) and completions (35 percent), with Japanese cases coming second in both categories.

That means little without context. The total of 178 filings in 2025 is a lot: not quite 2022’s recent high-water mark of 183, to say nothing of the record-setting 203 in 2018, but still a noted uptick over the last two years (169 and 167 in 2024 and 2023, respectively). As for completed APAs, 110 is, of course, much less than the 178 filings. It is also a good deal less than the 142 executed APAs in 2024 (2023’s record of 156, while impressive in isolation, should be taken in the context of 2022’s COVID-affected, underwhelming 77).

Given the unprecedented turmoil seen in 2025, 110 successful APAs is a respectable number. However, this does not maintain pace

with the growing demand for tax certainty. Over the past 10 years, an average of 116.5 APAs were executed each year, while pending APAs in the inventory continued to increase. Figure 1 shows the trends in APAs filed, executed, and withdrawn across a 10-year horizon.

While APMA has generally increased its headcount over the last 10 years, the increases have not been sufficient to meet taxpayer interest in the APA program. At the end of 2024, APMA employed 126 individuals, excluding the program director and the treaty assistance and interpretation team (TAIT), which does not handle APA cases. Within the following 12 months, APMA lost 18 professionals, leaving it with a staff of 108 as of December 31, 2025. That is a substantial decrease, and one that has caused real challenges, especially for country-specific teams that were disproportionately affected. At the same time, 108 remains a sizeable workforce, well above prepandemic staffing levels, as shown in Figure 2.

What emerges from a review of the 2025 statistics is a portrait of a program that, while falling short of recent highs, displayed remarkable resilience during an unusually challenging year. The number of APAs executed during 2025 looks like successful business-as-usual from a prepandemic perspective.

The problem is that if executed APAs fit nicely with historical norms, APA filings do not. As noted above, there were 178 APA filings in 2025,

Figure 2. Headcount as of Year-End

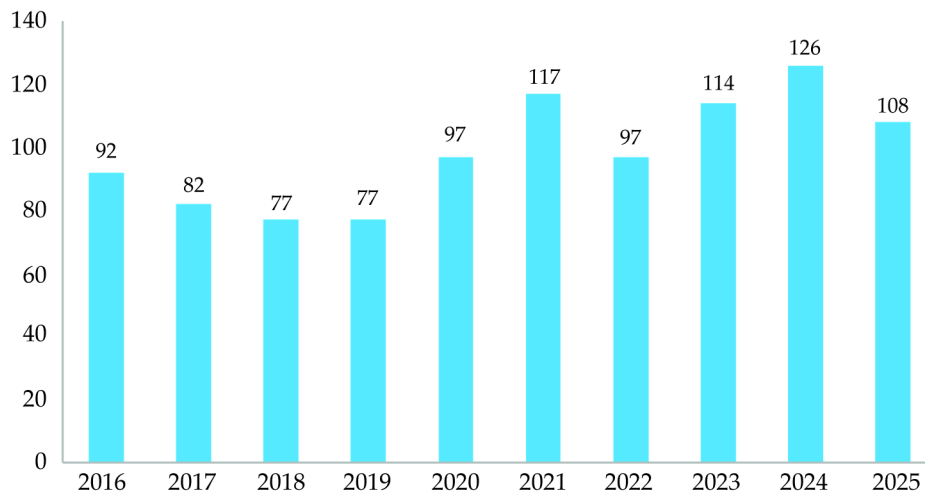
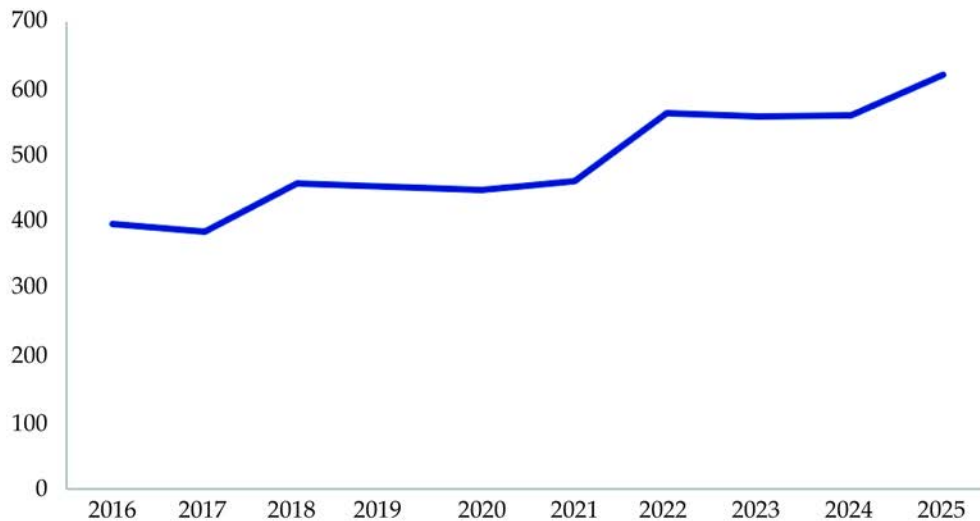


Figure 3. APAs Pending at Year-End

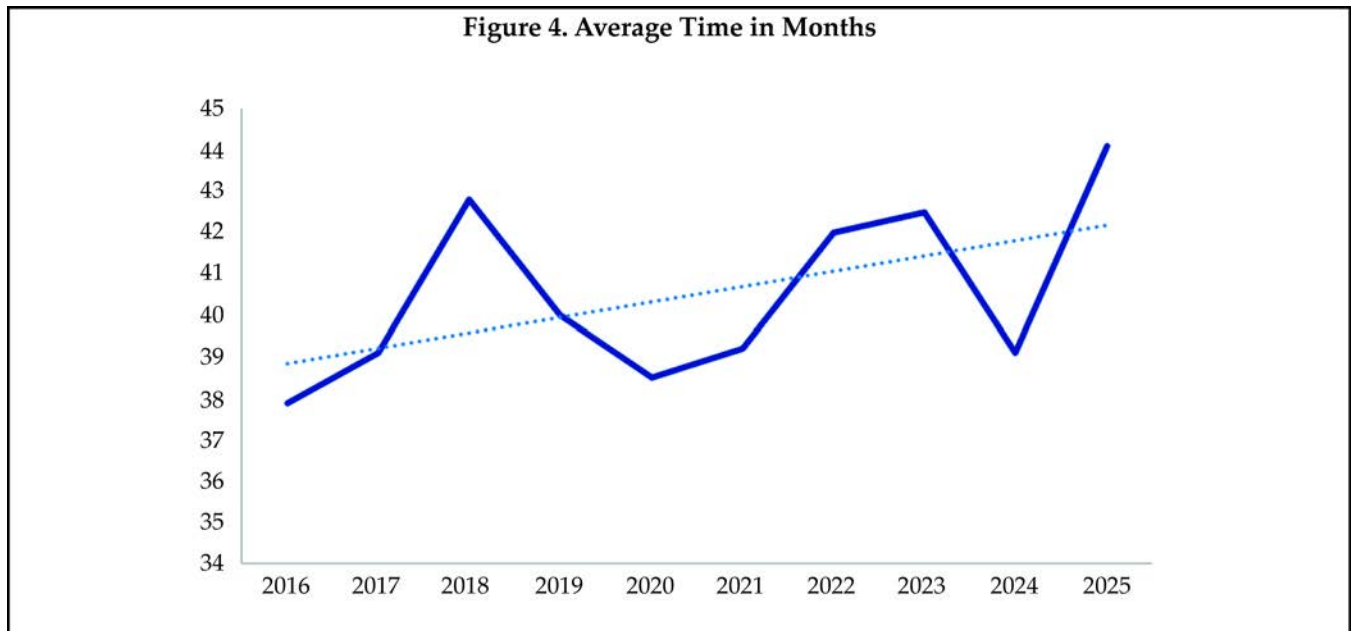


the third-highest number of applications seen to date. Setting aside 2018, when filings surged in the wake of tax reform and announcements of increasing APA user fees, APA applications hovered between 100 and 150 from 2016 through 2021, before a notable uptick beginning in 2022.

Closing cases at historic rates and at historic personnel levels is an achievement in the face of last year's unusual challenges, but it is not a sustainable model for the program given the large volume of filings. On the whole, APMA's

inventory of pending APAs has increased significantly over the past 10 years — a trend that shows no signs of abating and that cannot abate without significant investment in resources.

The growing docket is important, most obviously because a greater number of pending APAs means — all else being equal — a longer wait for the completion of the average APA. This is apparent in the statistics for 2025 as well. The overall average time to conclude APAs rose to 44.1 months, the highest in the past 10 years.



II. Observations

A. Shutdown and Resources

The government shutdown in October and November 2025 clearly affected APMA’s ability to progress and negotiate cases. While the IRS remained fully staffed for the first week of the shutdown thanks to Inflation Reduction Act funds, for the following 38 days, only a skeleton crew of program leaders and administrators remained at work; the team leaders, economists, and managers who handle cases were furloughed. The following table shows the actual APAs executed in 2025, the number of APAs that hypothetically could have been executed if not for the shutdown,² and the 10-year average from 2016 through 2025.

A hypothetical gross-up does not capture the full impact here. It is not just the length of the shutdown that made it significant, but its timing. The 35-day shutdown of 2018-2019 (previously the longest in U.S. history) began December 22, the Saturday before Christmas — late enough in 2018 not to materially affect APMA’s case resolutions and early enough in 2019 to absorb the impact. The 2025 shutdown, on the other hand, occurred precisely when APMA would normally

Executed APAs in 2025

Executed APAs	2025	2025 Adjusted for Shutdown	10-Year Average
Unilateral	14	16	21
Bilateral	90	100	93
Multilateral	6	7	3
Total	110	123	117

have been traveling to or hosting foreign counterparts for their fall negotiating sessions.

These meetings, of course, had to be postponed. That, in turn, prevented the resolution of some cases that otherwise could have been successfully negotiated and closed before the end of the year. Rescheduled meetings took the place of other work and taxpayer conferences, creating a cascade effect with impacts well into 2026.

Even so, it is evident that the shutdown was far from the only reason APAs finalized in 2025 fell short of the two prior years. As noted above, APMA lost 18 professionals — 14 percent of its workforce. The fact that this, comparatively speaking, left APMA better off than many other parts of the IRS must be cold comfort: The loss comes at a critical time as the APA docket continues to grow. It is also important to note that the current statistics do not reflect the APMA

²To calculate the hypothetical gross-up, actual APA figures were divided by ((365 - 38)/365).

employees who left in early 2026. Current estimates indicate that personnel losses continued in 2026, thereby posing a challenge to addressing the burgeoning backlog.

B. Tariffs and Trading Partners

Tariffs created uncertainty for the underpinnings of many APAs. Specifically, APAs by nature typically involve the application of a transfer pricing method to both previously filed and prospective years, with some APAs — especially renewals — composed of more prospective years. For prospective years, the tax authorities rely on past projections, benchmarking, or other economic or financial data to predict how the transfer pricing method will apply in the future. Therefore, tariff impacts on the APA docket have been significant, especially in cases with a number of prospective years. Ironically, this appears to predominantly affect what are often considered “simpler” APAs: routine renewals of tangible goods APAs that involve the application of the comparable profits method.

In terms of status, last summer and in early 2026 (because of the delay of fall negotiations into early 2026), it appears that certain competent authorities are at an impasse in negotiations with APMA regarding which party should bear the effect of tariffs. While broader policy discussions are underway that will apply to many cases, and we understand APMA is actively studying the tariff issue from an economic perspective, there is currently a delay in the resolution of cases.

The delay appears to be directly reflected in the 2025 statistics. First, it significantly reduced the share of completed APA cases involving companies in the manufacturing industry. Specifically, there were 42 completed APAs for manufacturing companies in 2024, or 30 percent of the total APAs executed. In contrast, in 2025, the number of APAs executed relating to companies in the manufacturing industry dropped to 22, or 20 percent of the total. This is a dramatic decline, and although this number may certainly have been affected by the government shutdown timing, one might expect that, given the large number of competent authority negotiations affected by the shutdown, there would not be a concentrated percentage impact

on certain countries or industries. Therefore, it seems likely that this decrease was primarily caused by tariff impacts.

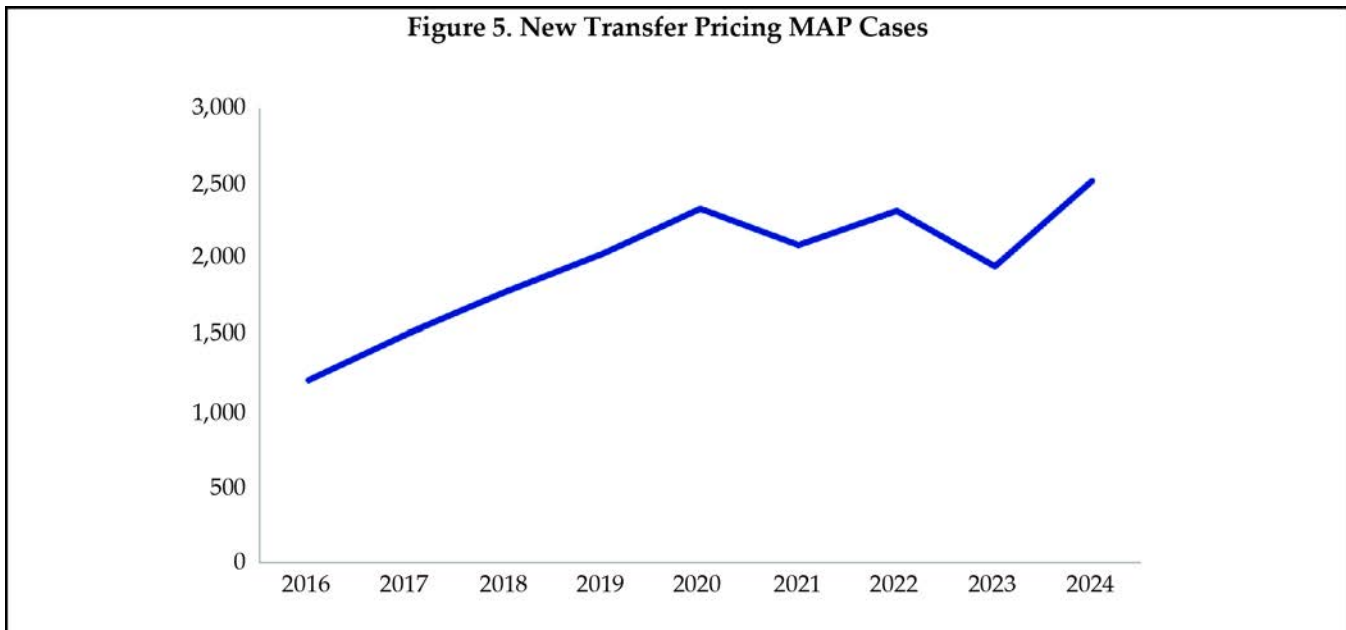
In addition to the drop in executed APAs in the manufacturing industry, the tariff impact on the statistics can be seen most clearly in the breakdown of tested parties. Specifically, executed APAs with U.S. distributors as tested parties dropped from 39 percent of the total in 2024 to 23 percent in 2025 — a shocking decrease. In our experience, these types of tested parties are almost all overall or segmented CPM tests that would be directly affected by tariffs. Therefore, this is the clearest indication in the APA statistics of the significant impact of tariffs on the number of executed APAs. Perhaps a silver lining is that once there is agreement on a resolution paradigm for the tariff issue, it may be possible to resolve many cases quickly.

One thing we expected to see is that countries with a larger share of tangible goods CPM cases would be disproportionately affected in terms of completed APAs as a percentage of the total. And we can see some of this impact in the 2025 statistics: For example, Canada and India comprised a larger percentage, and Italy a lower percentage, of executed APAs, which makes sense because Italy’s caseload is predominantly tangible goods cases, at least relative to Canada and India. But because of other country-specific trends, the impact is difficult to see directly. For instance, the delays in the due diligence phase by certain tax authorities, notably Japan, which were already reflected in the statistics starting in 2023 and 2024, may obfuscate the year-over-year impact of the tariffs.

C. Unilateral APAs

Another trend that has been many years in the making appears to be the percentage of unilateral APAs that are renewals versus new APAs. Although there is some volatility in the percentages, generally the percentage of new unilateral APAs has fallen over time, and notably in 2024 and 2025 very few new unilateral APAs were executed — most unilateral APAs were renewals.

This makes sense given the 2015 mandate to encourage bilateral APAs through changes to the revenue procedure that require justification of a



unilateral APA. Similarly, post-base erosion and profit shifting disclosure requirements for unilateral APAs — both disclosure by the taxpayer in its master file and disclosure between tax authorities via exchange of information pursuant to BEPS action 5 — have likely had a deterrent effect. It is unclear what effect current APA acceptance procedures have had on the acceptance and filing of unilateral APAs and synthetic bilateral APAs, but it is unlikely to have modified the trend away from unilateral APAs. Of course, unilateral APAs still make a lot of sense in many contexts, and so they will continue to be a valuable tool for both taxpayers and APMA in the right situation.

III. Making Sense of APAs

Businesses typically consider dispute prevention and dispute resolution options when there is reason to believe that one or more tax administrations may challenge reporting positions. In the cross-border environment, challenges by tax administrations to multinational enterprises' transfer pricing reporting continue to increase. These challenges arise both from increased audit activity in jurisdictions with an established history of transfer pricing enforcement and the heightened focus on transfer pricing by tax administrations in jurisdictions that have not historically conducted significant transfer pricing audits. These changes

can be detected over time when reviewing the OECD MAP statistics reported under the BEPS 1.0 action 14 minimum standard. Globally, new transfer pricing MAP cases more than doubled between 2016 and 2024, the most recent year for which statistics are available.

The growth in transfer pricing audits introduces additional uncertainty, creating challenges for companies focusing on global policies and rational allocation of income and expenses across the globe. APAs reduce uncertainty and typically prevent the assertion of penalties as competent authorities work to agree on the appropriate pricing of covered transactions. Indeed, APAs typically result in full prevention of double taxation.

The IRS has been a leader in developing and promoting dispute prevention and dispute resolution programs, pioneering the use of APAs in the 1990s. Today, 80 jurisdictions around the world have APA programs, and 49 are actively handling cases³ — although not every jurisdiction with an APA program has an income tax treaty with the United States.

While many speak of tax certainty from the taxpayer's perspective, there is also significant interest among tax administrations. Tax administration leaders are often asked about the

³OECD, "Key Trends: 2024 MAP & APA Statistics."

tax gap in their jurisdictions. In the United States, the estimated gross tax gap for tax year 2022 was \$696 billion, of which \$50 billion was estimated to be due to corporate tax. While not specifically reported on as a component of the tax gap, transfer pricing disputes clearly comprise one of the most material items.

From the tax administration's perspective, there should certainly be ample opportunity to evaluate all transactions from a risk perspective to determine whether an APA should be considered. This helps to reduce the tax gap and dovetails with the tax administration's competent authority responsibility under the tax treaty framework to resolve, unilaterally or through mutual agreement with the competent authority of the other state, taxation that is not in accordance with the treaty. Competent authorities seek to engage in an APA as it allows for involvement in the allocation of income based on a joint effort.

From the perspective of the tax authority that would otherwise be examining a transaction, an APA offers time and resource savings compared to an examination and subsequent MAP case. From the perspective of the tax authority in the counterparty jurisdiction, an APA typically allows for a better substantive outcome than having a foreign government's examination proposal as the starting point for a MAP.

In addition to APAs, APMA is responsible for MAP cases that involve transfer pricing or profit attribution. While statistics on U.S.- and foreign-initiated adjustments in MAP are no longer available, both historical statistics and our recent experience indicate that foreign-initiated adjustments predominate. APAs, too, are

frequently pursued because of foreign tax risk. In a world where many foreign tax authorities are increasingly disposed to prey on U.S. multinationals, a well-staffed APMA program is an important bulwark for both U.S. business and the U.S. fisc.

The 2025 statistics underscore that, despite meaningful operational constraints at APMA, APAs remain a critical tool for managing transfer pricing uncertainty. The continued growth in filings, alongside rising global audit intensity and a doubling of transfer pricing MAP inventories in recent years, reflects that APAs remain one of the most reliable avenues for obtaining prospective certainty, mitigating double taxation risk, and reducing exposure to penalties. While longer cycle times and increased scrutiny require more planning and patience, APAs still offer a uniquely collaborative framework for resolving complex crossborder pricing issues, making them an essential component of a robust tax risk management strategy.⁴ ■

⁴The information in this article is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser. This article represents the views of the authors only and does not necessarily represent the views or professional advice of KPMG LLP.

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